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THE WALL STREET JOURNAL.
WSJ.com

BUSINESS | Updated March 14, 2013, 11:07 p.m. ET

Employers Blast Fees From New Health Law

By JANET ADAMY

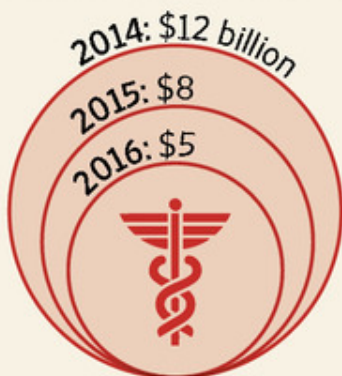
Employers are bracing for a little-noticed fee in the federal health-care law that will charge them \$63 for each person they insure next year, one of the clearest cost increases companies face when the law takes full effect.

Companies and other plan providers will together pay \$25 billion over three years to create a fund for insurance companies to offset the cost of covering people with high medical bills.

The fees will hit most large U.S. employers, and several have been lobbying to change the program, contending the levy is unfair because it subsidizes individually purchased plans that won't cover their workers. [Boeing](#) Co. and a union health plan covering retirees of [General Motors](#), [Ford Motor](#) Co. and Chrysler, among other groups, have asked federal regulators to exclude or shield their insurance recipients from the fee.

Adding Up

The U.S. will collect \$25 billion from employers and health plans over three years, largely to offset consumers' medical bills.



Source: Affordable Care Act
The Wall Street Journal

Insurance companies, which helped put the fee in the law, say the fee is essential to prevent rates from skyrocketing when insurers get an influx of unhealthy customers next year. The fee is part of a new insurance landscape created by the health law that will forbid insurers from denying coverage to people with pre-existing conditions.

The \$63 fee will apply to plans covering millions of Americans in 2014. It applies to employers that assume the risk for workers' medical bills, and many private plans sold by insurers. The fee will be smaller for 2015 and 2016, though regulators haven't set those amounts.

Few noticed the fee when the 2010 Affordable Care Act passed. Employers have spent recent months trying to peel it back, but [final regulations published Monday in the Federal Register](#) left it largely intact.

"It's caught most employers, if not all employers, by surprise," said Steve Wojcik, vice president of public policy at

the National Business Group on Health in Washington, which represents large employers. "They're very upset about it."

The fee comes on top of other costs employers expect to face. Proponents of the law say it eventually will lower employers' health costs by expanding insurance coverage to 30 million Americans, meaning employers won't subsidize their unpaid medical bills.

Administrators for employee health plans have warned federal regulators they could pare insurance benefits to absorb the fee. Some benefits experts expect employers will at least partially pass on the \$63 to workers.

Earlier

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Boeing estimates the fee will apply to about 405,000 workers and dependents it insures, costing the Chicago-based plane maker an estimated \$25 million in 2014. The company spends \$2.5 billion annually on

health and insurance-related benefits.

Doug Kight, a Boeing vice president of strategy, compensation and benefits, told Health and

Human Services Secretary Kathleen Sebelius in a December letter the aircraft maker was "concerned about the significant cost impact" of the fee. Among other things, he effectively asked her to reduce the levy to account for the fact that Boeing's workers aren't part of the insurance system that can tap the reimbursement fund.

The UAW Retiree Medical Benefits Trust, which covers 806,000 retirees of General Motors, Ford, Chrysler and their dependents, asked HHS to exempt all its beneficiaries from the levy. It argued the trust, which is independent from the auto makers, shouldn't face the fee because its plans operate under terms set in federal district and bankruptcy courts in 2009.

The top lobbying groups for large employers, including the U.S. Chamber of Commerce and the Business Roundtable, also voiced concerns about the fee and asked regulators to delay its collection.

In the regulations published Monday, HHS declined to whittle down the levy for firms such as Boeing, citing the law's requirements. It said the fee wouldn't apply to the plans of retirees whose primary coverage is Medicare, which would exclude many retired autoworkers, but it declined to categorically exempt workers in court-structured benefits plans.

A Boeing spokesman said the final regulations don't appear to address the major issues it raised with regulators. A spokeswoman for the UAW trust declined to comment.

Federal regulators say they have heeded employers' complaints about the fee and tweaked details of the program. They opted to collect the levy nationally instead of through each state, moved the collection date to the end of next year and calculated the fee on a per capita basis instead of as a percentage of premiums.

"We've tried to really work with the employers and issuers in trying to make the application of this program as least burdensome as possible," said Michael Hash, director of the HHS Office of Health Reform.

In 2014, insurers will be able to tap part of the \$25 billion to offset medical costs from high-risk individual-market consumers that total between \$60,000 and \$250,000 a year. Employers and other insurance issuers will pay \$63 in 2014 for every worker, spouse, child and certain retirees they cover.

Of the fees collected, \$20 billion will go toward paying high medical claims. HHS says the remaining \$5 billion will be used to retroactively offset an earlier program that reimbursed employers insuring early retirees through 2011. Under that program, Boeing received \$50 million and the UAW trust received \$387 million, according to a federal summary of the payouts.

A Boeing spokesman said the retiree program "was not advertised as a program prefunded by the government to be paid back at a later time," and that the law's net financial impact on Boeing is negative. The UAW trust declined to comment.

HHS says the high-risk program will lower premiums for people who buy plans through the individual insurance market by between 10% and 15%. For insurance plans overall, the fee is expected to raise premiums next year by about 1%, and less in the subsequent two years of the program.

Insurance companies defend the fees, saying they will indirectly benefit employers. Companies subsidize the cost of caring for the uninsured by paying higher medical and insurance prices for workers. Moving high-risk consumers into insurance policies will minimize that problem, they say.

These uninsured "had been the individuals going to the emergency room," said Karen Ignagni, president of America's Health Insurance Plans, an insurer trade group in Washington. "The employers definitely were picking that up."

Other health plans that tried and failed to win a federal exemption from the fee include so-called multiemployer insurance plans, which are jointly run by unions and employers. About 20 million Americans are covered by such plans. Federal regulators told these plans they lacked the authority to exclude them from the levy.

Those who sought an exemption include several benefit funds covering New York home-care workers, dietary aides and nursing assistants who belong to the Service Employees International Union. The funds, which insure 331,000 people, predict the fee will cost them \$21 million next

year.

Eliminating life insurance and vision benefits would offset only half the fee, the funds said in a December letter to federal regulators. Trustees would have to eliminate the entire durable-medical-equipment benefit to come close to offsetting the additional cost.

"The funds would be bearing additional costs without gaining any additional protections," said Mitra Behroozi, executive director of 1199 SEIU Benefit and Pension Funds, in her letter to regulators. Through a spokeswoman, Ms. Behroozi said the fund won't follow through on cutting benefits, and that regulators addressed some of their concerns.

The benefit fund for 1199 SEIU received \$4 million from the health law's early retiree program. Ms. Behroozi said through the spokeswoman that "the funds will still pay millions of our members' dedicated health-care dollars in fees to the individual health-insurance market that would otherwise be used for their own coverage."

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A version of this article appeared March 15, 2013, on page A1 in the U.S. edition of The Wall Street Journal, with the headline: Employers Blast Fees From New Health Law.

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